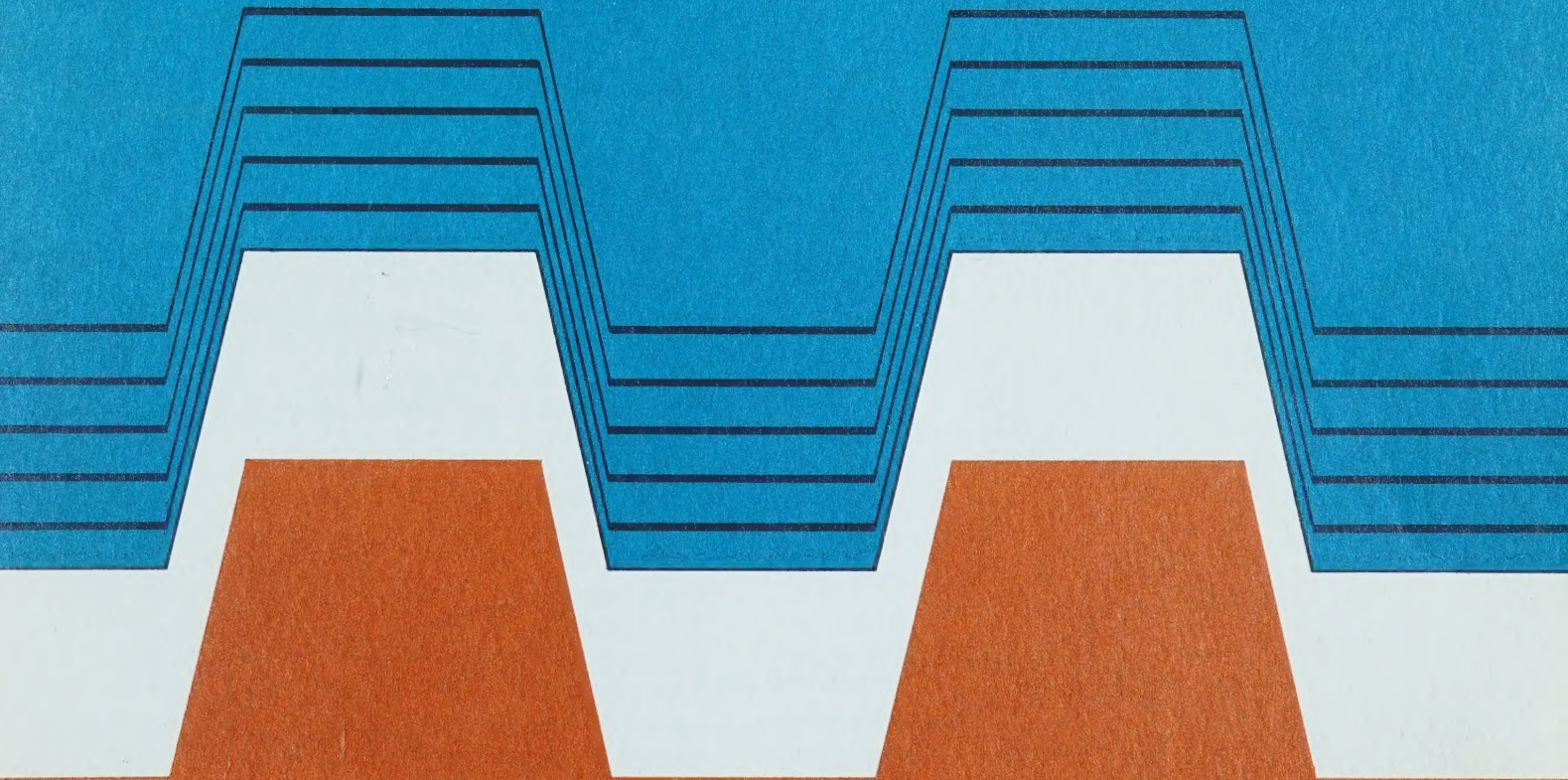


# Ontario Steel Products Company, Limited

AR31

*Corp report*







## ONTARIO STEEL PRODUCTS COMPANY, LIMITED

Head Office: Toronto — Divisions: Gananoque, Oshawa, Chatham, Milton

### The Year at a glance

Net Sales .....	\$62,372,332.00
Net Income — total . . . . .	\$ 2,847,098.00
— per share .....	\$3.55
Dividends — total . . . . .	\$ 1,042,210.00
— per share .....	\$1.30
Working capital .....	\$11,859,166.00
Number of employees .....	2,106

### Contents

	Page
The year at a glance	Front cover
Directors and Management	Front cover
Directors Report to the Shareholders	1
Facilities	2
Financial Statements	4
Auditors' Report	7
Products	Back cover

### Directors

Carl B. Black  
*Executive Vice-President,  
Rockwell Standard Divisions,  
North American Rockwell Corporation*

R. B. Carson  
*Executive Vice-President,  
Ontario Steel Products Company, Limited*

O. D. Cowan  
*Chairman of the Board and President,  
Ontario Steel Products Company, Limited*

H. M. Griffith  
*President and Chief Executive Officer  
The Steel Company of Canada, Limited*

Brian Heward  
*Chairman,  
Jones Heward & Company Ltd.*

R. A. Kingston, Q.C.  
*A Senior Partner,  
Blake, Cassels & Graydon*

Fred W. Parker Jr.  
*President — Rockwell-Standard Divisions,  
North American Rockwell Corporation*

B. H. Rieger  
*Vice-President,  
Canadian Corporate Management  
Company Limited*

Walter F. Rockwell  
*Business Consultant*

### Executive Officers

O. D. Cowan  
*Chairman of the Board and President*

R. B. Carson  
*Executive Vice-President*

S. Maclellan, C.A.  
*Secretary-Treasurer*

Miss Gay Sampson  
*Assistant Secretary*

### Transfer Agent

The Royal Trust Company, Toronto  
The Royal Trust Company, Montreal

### Registrar

National Trust Company Limited,  
Toronto  
National Trust Company Limited,  
Montreal

### Bankers

Bank of Montreal  
Canadian Imperial Bank of Commerce

### Auditors

Deloitte, Plender, Haskins & Sells



# Report

## of the Board of Directors to the Shareholders

Your Directors take pleasure in submitting herewith the 55th Annual Report on the consolidated operations of your Company and subsidiaries. It covers the twelve month period ended September 30, 1968, together with the Consolidated Balance Sheet, Earnings, and Retained Earnings Statements, Statement of Source and Use of Funds, and the Auditors' Report.

Record sales of \$62,372,332 were achieved, resulting in record net earnings of \$2,847,098 or \$3.55 per common share. This compares with sales of \$34,740,651 and net earnings of \$1,706,813 or \$2.13 per common share for the nine month period ended September 30, 1967. The 3% surcharge on Corporation Taxes from January 1, 1968 had an adverse effect on earnings this year of \$53,000 or 6.5 cents per share.

Depreciation taken this year was \$1,314,424 and for the previous nine month period amounted to \$802,995. Working Capital increased by \$1,095,942 and at year end was \$11,859,166. All Departments of the Company operated profitably during the year, although profits were adversely affected by strikes in the plants of some of our principal customers in the first and second quarters.

Expenditures on capital equipment amounted to \$1,419,297. Of this amount \$807,297 was spent to up-grade existing manufacturing plant and equipment to reduce costs, and \$612,000 was spent to expand production facilities. The expansion programme includes a new plant for Tycos Tool & Die Co. Ltd., built in Toronto, Ontario; and the acquisition of Worcester Moulded Plastics Company located in Worcester, Massachusetts. During the year, an old multi-story building at Worcester was sold and is currently being replaced by a new modern single-story structure of 52,000 sq. ft. Expansion of our multi-leaf spring production facilities is planned for the coming year.

As of March 15th, 1968, the Company and the U.A.W.-C.I.O. agreed to a new three year contract at four plants. The Company has also reached agreement with the United Steel Workers

Union for a period of three years as of September 1st, 1968, at Gananoque, Ontario.

Dividends declared during the fiscal year 1968 amounted to \$1.30 per common share.

The high production of automobiles and trucks continues, and the general outlook remains favourable. Plastic sales to the consumer as well as automotive markets should continue to rise. The Company is looking forward to increased railroad business in the coming year.

In January, 1968, the resignation of Mr. V. W. Scully, Chairman of the Board of The Steel Company of Canada Limited, as a Director was accepted with regret. Mr. Scully served as a Director of the Company since 1963 and his wise counsel and guidance will be greatly missed. Replacing Mr. Scully we welcome to the Board, Mr. H. M. Griffith, President and Chief Executive Officer of The Steel Company of Canada, Limited.

Also, in January, 1968, Mr. R. B. Carson, Executive Vice-President, was elected to the Board of Directors. Mr. Carson has served the Company in many capacities for 17 years.

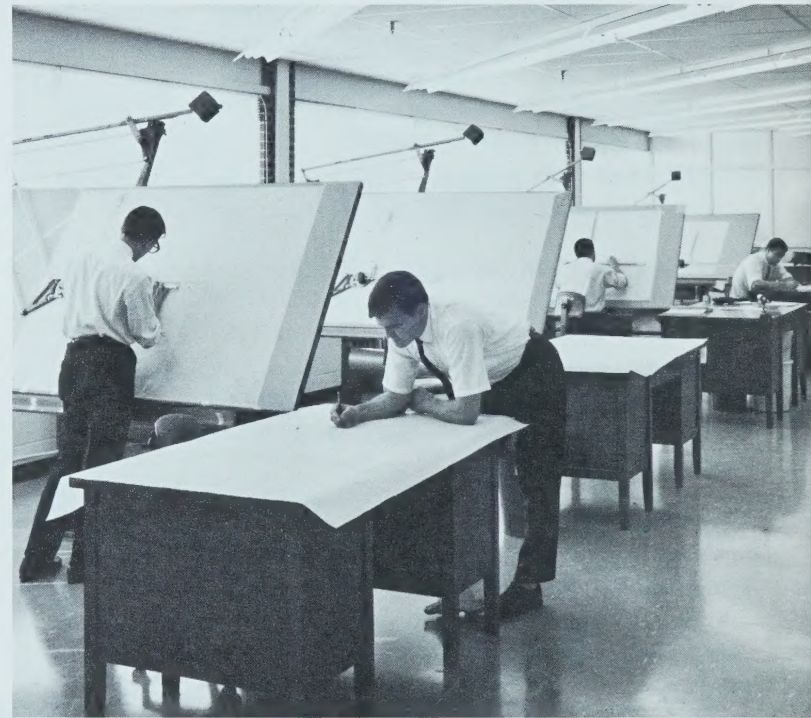
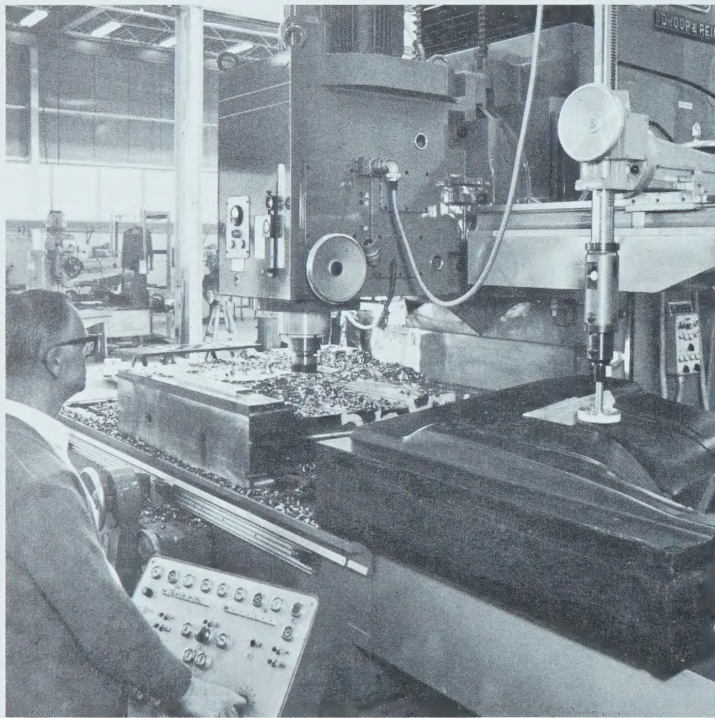
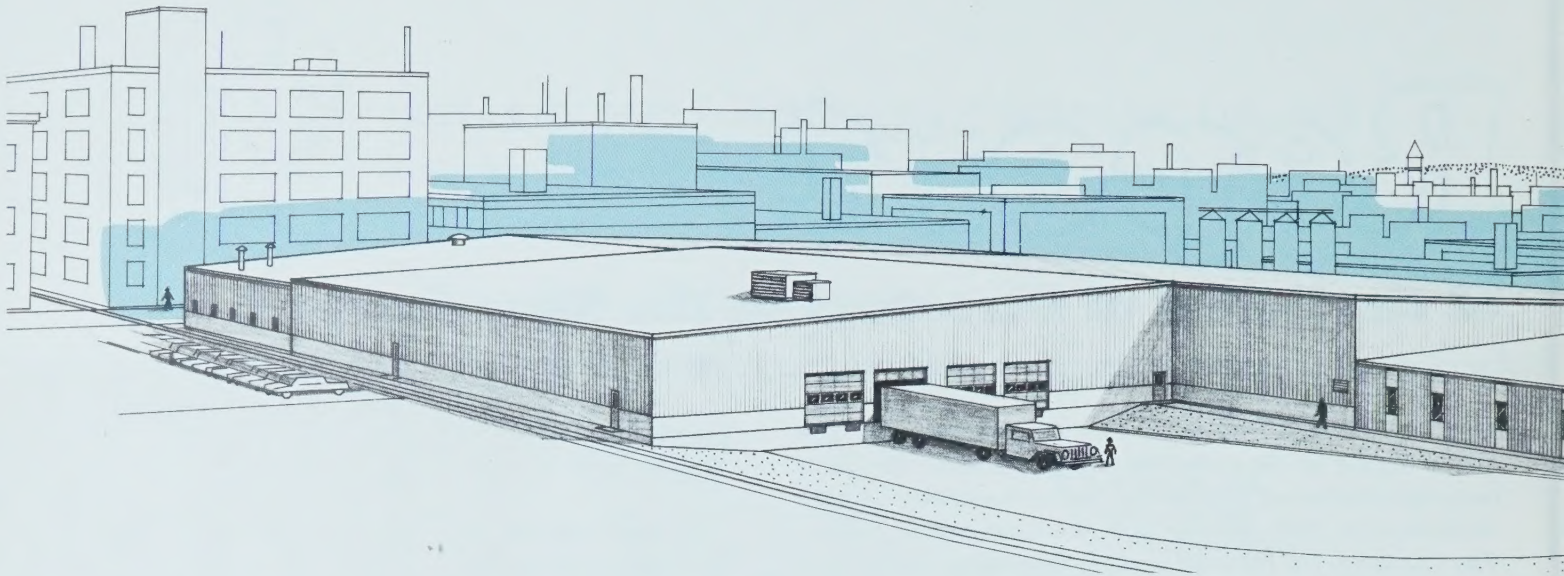
Further organizational changes made during the year were the appointments of Mr. G. M. Hood, Manager of Manufacturing Operations; Mr. W. S. Campbell, as General Sales Manager; and Mr. S. Maclellan, C.A., as Secretary-Treasurer.

The continued support and cooperation we have received from our customers and suppliers is gratefully acknowledged and the loyal efforts of friends and employees of the Company are greatly appreciated

On behalf of the Board of Directors,

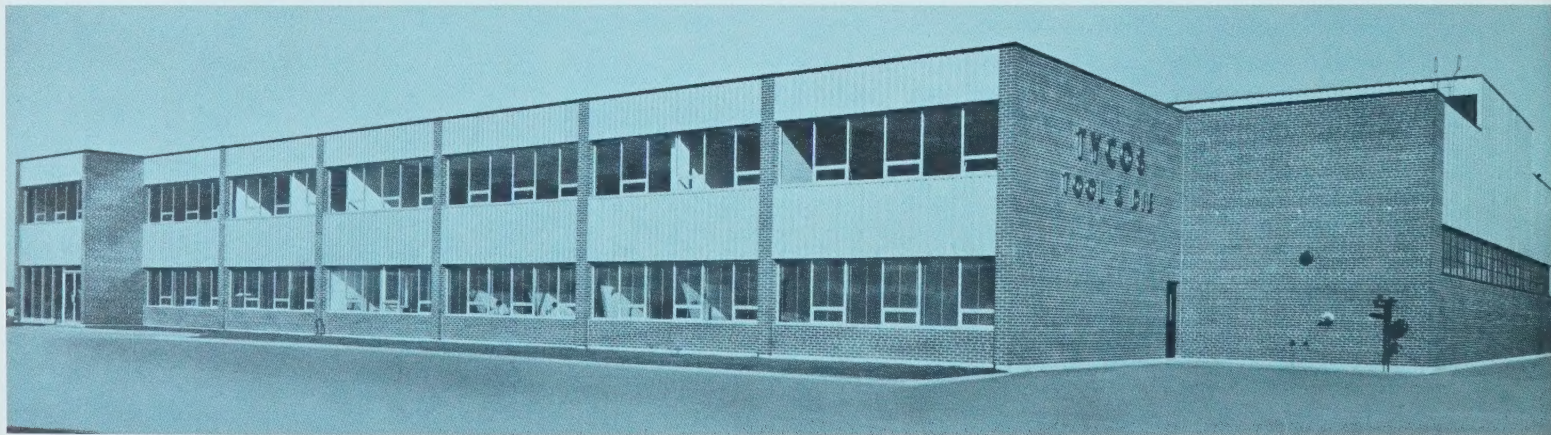
O. D. COWAN  
President



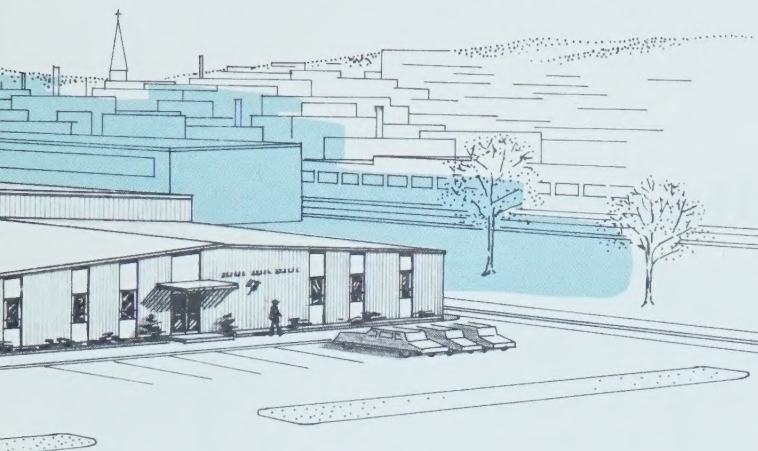


Shown above is a Droop & Rein high precision vertical copy milling machine, and the drafting facilities at the new Tycos plant.

Below: Exterior front view of the new Tycos Tool & Die Co. Ltd. plant located on the northwest outskirts of Toronto. The plant covers approximately 26,000 sq. ft. and its facilities are among the most modern in Canada.







A new plant for Worcester Moulded Plastics Company, Worcester, Mass., combines the injection moulded plastics division with the existing expanded polystyrene facilities. The new building is constructed of metal of pre-engineered design providing 5,184 sq. ft. of office space and 46,650 sq. ft. for the injection moulded division. The total plant now covers 72,576 sq. ft.

New equipment will include modern material handling machinery, a 1600 ton 265 oz. injection moulding machine and an automated finishing department.



Two of the service facilities of the Montreal Division for spring installations, frame straightening, and wheel alignment.





## Consolidated Balance Sheet

### Assets

#### Current Assets

Cash .....	\$ 338,993	\$ 199,774
Accounts receivable .....	8,748,903	6,510,845
Special refundable tax .....	95,603	143,534
Inventories — valued at the lower of cost or market:		
Raw materials .....	4,523,573	3,974,237
Work in process .....	2,614,389	2,167,782
Finished goods .....	1,929,666	2,104,161

9,067,628 8,246,180

Prepaid expenses .....	661,671	426,382
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Total Current Assets 18,912,798 15,526,715

#### Property, Plant & Equipment at Cost

Buildings .....	5,346,401	4,773,951
Machinery and equipment .....	14,727,616	12,881,832
	20,074,017	17,655,783
Accumulated depreciation .....	10,869,397	9,161,515
	9,204,620	8,494,268
Land .....	506,382	323,158
	9,711,002	8,817,426

\$28,623,800 \$24,344,141

Approved by the Board:

O. D. COWAN  
BRIAN HEWARD } Directors

s at September 30, 1968 (with 1967 figures for comparison)

## Liabilities and Shareholders' Equity

### Current Liabilities

	September 30 1968	September 30 1967
Bank loan .....	\$ 48,929	\$ —
Accounts payable and accrued liabilities .....	4,823,497	3,550,899
Due to affiliates .....	163,474	138,132
Taxes on Income .....	1,817,307	874,035
Dividends payable .....	200,425	200,425
<i>Total Current Liabilities</i>	<i>7,053,632</i>	<i>4,763,491</i>

### Long-Term Debt

Bank loans due on demand March 31, 1970 .....	5,600,000	5,800,000
Due to affiliate .....	405,449	—

### Deferred Income Taxes

	1,297,269	1,318,088
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### Shareholders' Equity

Capital stock —		
Authorized —		
1,433,820 common shares without nominal or par value		
Issued and fully paid —		
801,700 shares .....	1,365,110	1,365,110
Retained earnings .....	12,902,340	11,097,452
	<i>14,267,450</i>	<i>12,462,562</i>
	<i>\$28,623,800</i>	<i>\$24,344,141</i>

**NOTES** Commitment — Unfunded past service costs of pension plans approximate \$1,592,745. Plans are being funded and charged to operations over periods not exceeding 22 years.

Foreign Exchange — Amounts applicable to United States subsidiaries have been translated into Canadian dollars at rates approximating those prevailing at the dates of transactions except for current assets and liabilities which have been translated at the rate prevailing at the balance sheet date.



## Consolidated Statement of Earnings

for the year ended September 30, 1968 (with figures for the nine months ended September 30, 1967 for comparison)

	Year Ended September 30 1968	Nine Months Ended September 30 1967
Net Sales .....	\$62,372,332	\$34,740,651
Costs and Expenses:		
Cost of products sold .....	54,709,058	30,380,941
Selling, administrative and general expenses .....	2,087,706	1,141,497
	56,796,764	31,522,438
Earnings before Income Taxes .....	5,575,568	3,218,213
Provision for Income Taxes .....	2,728,470	1,511,400
Earnings for the period .....	\$ 2,847,098	\$ 1,706,813
The following items have been charged in determining the above earnings:		
Depreciation .....	\$ 1,314,424	\$ 802,995
Executive remuneration & directors' fees .....	283,280	218,233
Loan interest .....	295,996	50,011
Past service portion of pension costs .....	103,908	62,156

Reference is made to the notes to the balance sheet.



## Consolidated Statement of Retained Earnings

for the year ended September 30, 1968 (with figures for the nine months ended September 30, 1967 for comparison)

	Year Ended September 30 1968	Nine Months Ended September 30 1967
<i>Opening Balance</i> .....	\$11,097,452	\$10,214,105
Add: Earnings for the period .....	2,847,098	1,706,813
	<u>13,944,550</u>	<u>11,920,918</u>
Deduct:		
Dividends .....	1,042,210	613,861
1968 — \$1.30 per common share		
1967 — (9 months) — \$3.50 per preferred share		
.75 per common share		
Premium and tax on redemption of preferred shares .....	—	209,605
	<u>1,042,210</u>	<u>823,466</u>
<i>Closing Balance</i> .....	\$12,902,340	\$11,097,452

Reference is made to the notes to the balance sheet.

## Auditors' Report

*To the Shareholders of Ontario Steel Products Company, Limited:*

We have examined the consolidated balance sheet of Ontario Steel Products Company, Limited and its subsidiary companies as at September 30, 1968 and the consolidated statements of earnings, retained earnings and source and use of funds for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion these consolidated financial statements present fairly the financial position of the companies as at September 30, 1968 and the results of their operations and the source and use of their funds for the year then ended, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding period.

October 18, 1968  
Toronto, Ontario

DELOITTE, PLENDER, HASKINS & SELLS  
Chartered Accountants



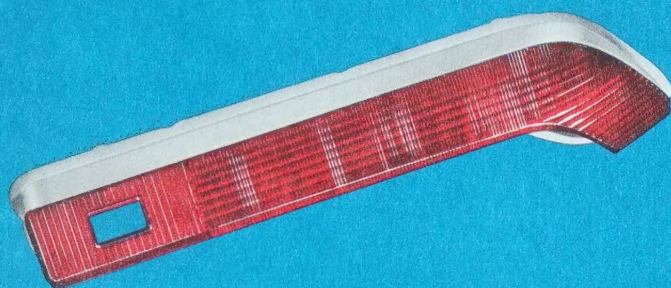
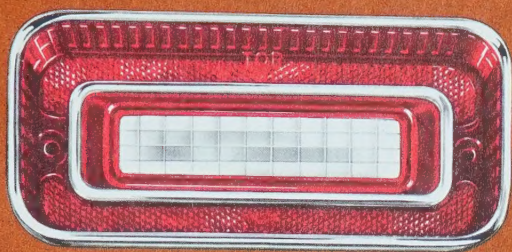
## Consolidated Statement of Source and Use of Funds

for the year ended September 30, 1968 (with figures for the nine months ended September 30, 1967 for comparison)

	Year Ended September 30 1968	Nine Months Ended September 30 1967
<i>Source of Funds</i>		
Funds derived from operations —		
Earnings for the period .....	\$2,847,098	\$1,706,813
Non-cash items included in earnings —		
Provision for depreciation .....	1,314,424	802,995
Reduction in deferred income taxes .....	(20,819)	(21,492)
	4,140,703	2,488,316
Increase in long-term bank loans .....	—	2,700,000
Loan from affiliate .....	405,449	—
	4,546,152	5,188,316
<i>Use of Funds</i>		
Dividends	1,042,210	613,861
Purchase of fixed assets including the net book value (\$928,608) of the fixed assets acquired through the acquisition of a subsidiary ...	2,208,000	2,259,125
Reduction in long-term bank loans .....	200,000	—
Redemption of preferred shares .....	—	567,905
	3,450,210	3,440,891
<i>Increase in Working Capital</i>	\$1,095,942	\$1,747,425

Reference is made to the notes to the balance sheet.





### **Automotive products**

Chassis Springs — both flat and coil —  
for automobiles, trucks, buses and  
snowmobiles

Torsion Bars and Struts

Bumpers

Stampings

Plastic Lenses, Medallions, Knobs,  
Arm Rests, Ornaments and other  
miscellaneous parts

### **Consumer market products**

METALS

Large and small, shallow and deep-  
drawn steel stampings

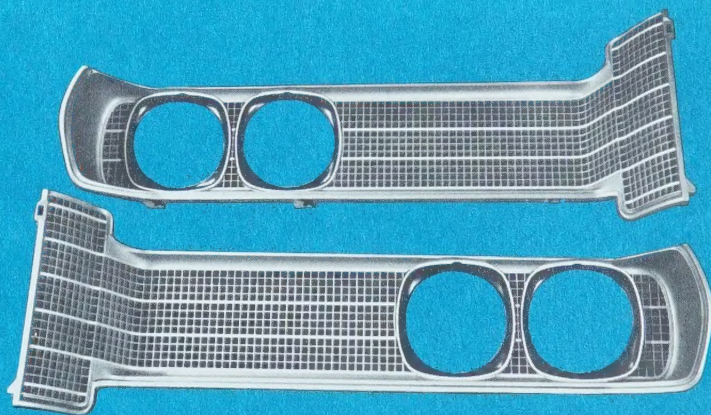
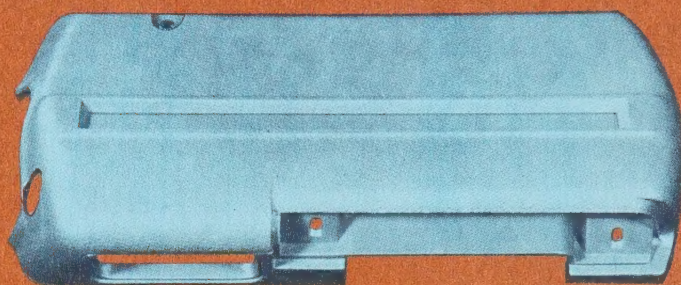
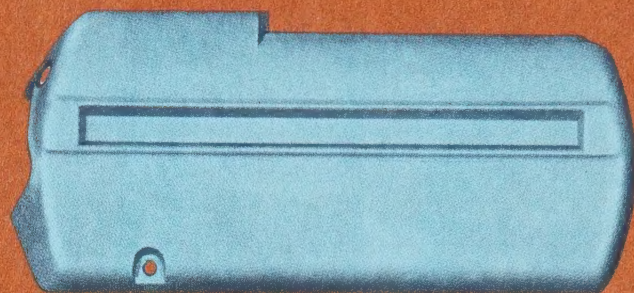
PLASTICS

Injection moulded plastics of a wide  
variety, including parts for  
telephones, refrigerators, radios, etc.

Extruded plastic custom sections  
as required

Double-shot moulding and  
triple-shot moulding

Vacuum metallizing for decorative  
and functional parts



### **Railroad and industrial products**

Coil Springs

Elliptical and Flat Springs

Rail Anchors

Wear Plates



